

## **POLICY & FINANCE COMMITTEE**

**20 SEPTEMBER 2018**

### **COUNCIL'S ANNUAL BUDGET 2019/20 – OVERALL CORPORATE STRATEGY**

#### **1.0 Purpose of Report**

1.1 To set out the Budget Strategy for 2019/20 for consideration by Members before detailed work commences.

#### **2.0 Introduction**

2.1 The Council's Constitution sets out the process for developing the Council's Annual Budget.

2.2 The process requires that, each year, the Council's Section 151 Officer presents a report on the overall budget strategy for the forthcoming financial year, to the Policy & Finance Committee.

2.3 The Policy & Finance Committee is then required to consider the report of the S151 Officer and to approve the budget strategy for the forthcoming financial year.

#### **3.0 Budget Proposals**

##### **3.1 Budget Presentation**

3.1.1 The budget process will result in setting the budget and the Council Tax for 2019/20 and will be approved by Council at its meeting on 7 March 2019

##### **3.2 Financial Policies**

3.2.1 The Council has agreed policies on Budgeting and Council Tax, Reserves and Provisions, Value for Money and also a set of Budget Principles which set out the approach to be taken to the budget process. These policies were reviewed by the Policy & Finance Committee in September 2017. The policies and principles have been reviewed and updated where necessary and are attached as **Appendices A(i) to A(v)**.

#### **4.0 Budget Strategy**

4.1 The current Medium Term Financial Plan (MTFP) was approved on 29 June 2017. With the change in the Leader of the Council and appointment of the new Chief Executive, the revision of the MTFP will occur slightly later than originally planned and will be brought to the Policy & Finance Committee on 21 February 2019, with the budget for 2019/20.

4.2 The table below sets out the summary of the financial forecast, identified within the current MTFP, assuming that Council Tax at average Band D will increase by the same rate as the previous three financial years, i.e. 1.94%:

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Net Service Expenditure	12,465	12,633
Net Budget Requirement	11,669	11,793
Total Settlement Funding	4,174	4,134
Council Tax	6,711	6,917
Use of Earmarked Reserves	91	91
Use of General Fund Balances	693	651

The table above suggests that over the next two financial years, between £650K and £700K of savings will need to be generated to balance the budget.

4. Whilst there is always a need to improve efficiency and review existing budgets, the Council's budget gap in future years means that, as well as further efficiencies, the Council needs to generate "new" revenue streams. This is the task of the Corporate Projects Development Team who are working with a commercial focus to identify opportunities to increase income into the Council. Any opportunities that are identified and where approval is granted, will be fed into the MTFP and will accordingly be included in the base budget for 2019/20. Wider than the terms of reference of this group, it is important for budget managers to continue to scrutinise their budgets to ensure that services are delivered as efficiently as possible.

4.3 The following underlying assumptions will be applied in compiling the draft budget for 2019/20:

#### 4.3.1 Base Budget

The base budget for 2019/20 will be derived from the budget created for the 2018/19 financial year. The 2018/19 budget was created from the actual outturn position for the 2016/17 financial year adjusted for inflationary factors. This approach will continue the plan to deliver a "tighter" budget than previous years as the base budget for 2019/20 will effectively be based on lower levels of expenditure (and income) for the 2016/17 year, adjusted for inflation.

#### 4.3.2 Staff Costs

The actual establishment, reconciled to the HR records, will be used to generate the starting point for employees' expenditure. It has been assumed that within the Service Unit budgets, the Council will employ 100% of the establishment throughout the year with the exception of known unfilled vacancies where salaries are budgeted to commence on the anticipated starting date.

A 2% increase in wages and salaries will be assumed for 2019/20. This is in line with the agreement which was reached in early April 2018 between the National Employers and the NJC Trade Unions side on rates of pay applicable from 1 April 2018 and 1 April 2019. Whilst the 2018 pay award was straight forward to implement, the 2019 award will be more challenging as there are a number of new pay points from 1 April 2019, to which employees need to be aligned to. This necessitates a full review of the pay and grading system. In addition, increases in the National Living Wage will have a knock on impact on all salary pay grades of the Council. The financial implications of changes will be kept under constant review and the budget, if required, will be revised before presentation to Policy & Finance Committee on 21 February 2019.

A vacancy provision of 3.5% of the total salary budget for 2019/20 will be made to allow for natural savings being made from posts remaining vacant before being filled. As it is not possible to predict precisely which business units will experience vacancies in the year, an overall saving will be set aside. This provision will be determined once the total salary budget for 2019/20 has been calculated.

#### 4.3.3 Employer's Superannuation

The actuarial review carried out as at 31 March 2016 increased the employer's superannuation contributions from 12.5% to 14.5% from 2017/18. A further cash deficit element is included in the pension charges each year the figure for 2019/20 is £1,101,580. The next triennial valuation of the pension scheme will take place on 31 March 2019.

#### 4.3.4 Provision for Inflation

The budget will be prepared by applying forecast RPI increases to non-staff cost. In May 2018 RPI was 3.3%. This is forecast to drop below 3% to 2.9% by the end of 2018/19. During 2019/20 the forecast looks to hover around 3% until the end of 2022/23. An inflation rate, therefore, of 3% will be applied to non- salary costs, unless a different specific rate is specified in a contract for the supply of goods and services. For non-contractual supplies and services there will be a freeze on inflation.

#### 4.3.5 Fees and Charges

The increase in fees and charges will be subject to specific, detailed review by business managers who will compare the Council's fees for discretionary services to other neighbouring and family group authorities that provide the same services. The business managers will also bench mark the fees with other commercial organisations where similar services are provided. Business managers will also assess and evaluate whether new fees and charges can be introduced for discretionary services that are not currently being charged for.

Where comparative benchmarking information is not available, an increase equivalent to inflation, **3%**, will be applied.

#### 4.3.6 Interest Rate

The current approved capital programme can be financed without the need for any new borrowing. However, for any new schemes this will not necessarily be the case and it will be necessary to assess the extent to which new borrowing may be required.

4.3.7 It will not be possible to finalise funding in the budget strategy until government announcements on future funding levels are published later in the year. Members are asked to approve the budget strategy as set out in this report, subject to future announcements; the impact of which will be reported to Policy & Finance Committee.

### **5.0 Risks in Preparation of the Budget**

5.1 The budget strategy will deliver a balanced budget on the basis of information known at the moment; however, there are risks that may cause expenditure to increase or income to reduce. Consequently income and expenditure levels will be kept under review throughout the budget process.

5.2 It is essential to ensure that the strategic budget efficiencies and additional income are delivered as this is central to ensuring that the Council has a balanced budget. The delivery of the efficiencies and additional income will be kept under continuous review throughout the budget process.

## 6.0 Timetable

The Budget Timetable is dictated by the corporate timetable for Policy & Finance and operational Committees. The essential deadline is that the Council is able to set the level of Council Tax for 2019/2020 at its meeting on 7 March 2019. Working back from this date a timetable has been drawn up and is attached at **Appendix B**. This timetable enables sufficient time for the budget proposals to be considered by operational Committees and Policy & Finance Committee and also sufficient time for the work to be completed within the Financial Services and other Business Units.

## 7.0 Consultation

- 7.1. As in previous years, consultation on the budget will take place with the public and the Commercial Ratepayers.
- 7.2. The operational committees will have the opportunity during the budget process to make suggestions to Policy & Finance Committee prior to final budget approval by the Council.

## 8.0 Capital Programme 2018 – 2022/23

### 8.1 Prioritisation General Fund Schemes

- (a) When business cases for new schemes are brought to Committee, financing implications of capital expenditure are included in order to assess the viability of the scheme and to enable members to make informed decisions. Once the capital expenditure has been incurred, the financing of the Capital Programme as a whole is arranged by the Section 151 Officer, in line with the Council's Constitution.
- (b) In line with the Council's current Treasury Plan, wherever possible, it has been assumed that projects within the capital programme will be financed by temporarily 'borrowing' from internal reserves and balances.
- (c) The Council may consider revising this Policy to take advantage of low PWLB borrowing rates on schemes/projects where the borrowing is affordable and sustainable. (The analysis of the Council's Balance Sheet by its external Treasury advisers, Arlingclose, shows that as at 31 March 2018, the Council has head room for General Fund borrowing of £24m).
- (d) Any new scheme will initially be commissioned by the Corporate Management Team. It will then be assessed against the prioritisation criteria (see **Appendix D**). Based on this assessment a report will be prepared for submission to Policy and Finance Committee in December before final approval by Council.
- (e) Council will consider all schemes and either: a) allocate resources to enable a scheme to be carried out; b) place it on the uncommitted list pending identification of resources; or c) reject it.

## 8.2 Prioritisation for the Housing Revenue Account

The Council's HRA investment programme is currently delivered by Newark and Sherwood Homes (NSH). The current programme reflects the latest available information agreed by NSH with the Council's Strategic Housing team. It comprises capital investment in the existing Council Housing stock and the continuation of a five year new build programme commenced in 2017/18. Resources for future years will reflect the ability of the Housing Revenue Account to support any necessary borrowing, and other funding opportunities which may arise. Housing rents are set to fall by 1% in 2019/20. This is based on the Government's announcement, made on 8 July 2015, that local authorities must set rent to a social housing tenant of which is 1% less than the amount that was payable by the tenant in the previous 12 months. 2019/20 is the final year of this 1% per year rent reduction and from this point in time it is assumed that rents will rise by CPI plus 1%. Garages and shop rents, along with service charges collected by the HRA will rise by the Consumer Price Index (CPI) from September 2018.

## 9.0 RECOMMENDATIONS that:

- (a) **the overall budget strategy be approved;**
- (b) **budget officers continue work on the assessment of various budget proposals affecting services for consideration in setting the Council's budget; and**
- (c) **budget managers work with finance officers in identifying further efficiency savings, increasing income from fees and charges and in identifying new income.**

### Reason for Recommendations

**To enable the Council's budget process to proceed encompassing agreed inflation and salaries and wages rates for 2019/20 to 2021/22**

### Background Paper

Nil

For further information please contact Nick Wilson on extension 5317 or Sanjiv Kohli on extension 5303.

Sanjiv Kohli  
Director – Resources/Deputy Chief Executive

## **Policy on Budgeting and Council Tax**

### **Introduction**

Each year the Council is required to set a Council Tax in accordance with the provisions of the Local Government Finance Act 1992. It is a requirement of the Act that the Council Tax must be set by 11 March each year.

The Council sets its Annual Revenue Budget in March each year in accordance with the provisions of the Budget Process, which forms part of the Council's Constitution.

The District Council is also responsible for collecting the Council Tax requirement (precepts) for Nottinghamshire County Council, Nottinghamshire Police & Crime Commissioner and Nottinghamshire Fire and Rescue Service and any precepts set by the Parish and Town Councils or Parish meetings within the District. All of these Councils are required to notify the District Council of their requirements before 1 March.

The District Council has no control over the level of Council Tax or precept set by the precepting bodies. This policy covers the District Council element of the Council Tax only. Nevertheless, it is recognised that public perception is influenced by the overall level of Council Tax and it can be difficult to appreciate that the requirements of the District Council form only a part of this. In fact, the District Council's spending requirements account for around 10% of the total Council Tax bill.

The Government has powers to require local authorities setting "excessive Council Tax increases" to hold a local referendum on the level of Council Tax. The level of excessiveness is set at 3% but may be different in subsequent years.

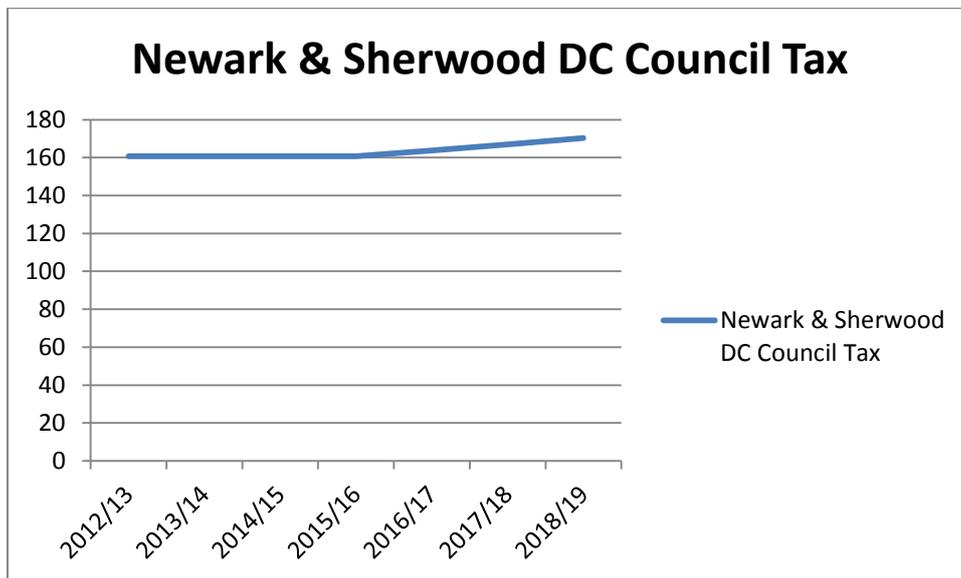
The District Council's spending requirement includes an amount levied upon it by other bodies. For this Council an annual levy is made by the Trent Valley and Upper Witham Internal Drainage Boards. Since 2014/15, if the levies set by the drainage boards cause the Council to have an excessive increase in Council Tax this would trigger a local referendum.

### **Current Level of District Council Tax**

The District Council's level of Council Tax for 2018/2019 is £170.27 for a Band D property. This represents a 1.94% increase in council tax on 2017/2018. The total bill, including all precepts, is £1,862.60 plus average Parish Precepts of £73.34.

### **Trends Over Time**

Over time, the Council has had a policy of keeping the level of Council Tax to a minimum. The level of Council Tax for the Council is shown in the chart below:



### **Consultation**

Newark and Sherwood District Council believes in the value of wide consultation on its budget proposals. As such, the Council will consult where there are financial decisions of public interest prior to setting the level of Council Tax. The Council will have regard to the results of any consultation. Consultation may include the following:

- Public
- Parish Councils
- Commercial Ratepayers
- Local Strategic Partnership
- Committees

### **Proposals**

The absolute level of Council Tax, and any annual increase, will depend on the demands facing the District Council, external funding available, and the Council's assessment of the appropriate level of Council Tax. Whilst these factors will vary from year to year, the following criteria will be taken into account when considering the level of Council Tax:

- The Aims and Priorities of the Council
- Inflation
- Consultation Responses
- The level of Council Tax considered to be acceptable to the public
- Government views on grant levels and referendum criteria
- Service demands

**Newark and Sherwood District Council aims to set the minimum level of Council Tax consistent with the achievement of its Aim and Priorities and other financial and service demands.**

**General Fund Balances and Reserves Policy**

The Local Government Act 2003 requires all Councils to maintain adequate balances, reserves and provisions to help ensure that their activities are sustainable. This policy covers General Fund Balances and separate policies cover reserves and provisions and Housing Revenue Account balances.

The Council holds General Fund balances to ensure that it has sufficient funds to manage its day to day finances and to enable the Council's financial position to remain secure in the event of unforeseen circumstances.

Each year the Section 151 Officer of a local authority is required under Section 26 of the Local Government Act 2005 to review the amount of reserves and provisions that the authority holds. This review is carried out primarily to ensure that reserves and provisions are not allowed to be 'run down' to an imprudent low level, taking into account their purpose and likely use. In undertaking this review it is also necessary to ensure that amounts do not become over provided for. With this in mind, a review of reserves held by the Council has been undertaken and the movements in earmarked reserves and general fund balances contained in the forecasts for each year have been influenced by this review.

At its meeting in September 2016, Policy & Finance Committee approved a recommendation that the District Council should aim to maintain General Fund balances at approximately £2.9m. In order to maintain this level of balances in each year of the financial forecast, it has been assumed that all other earmarked reserves will be used in the first instance to fund any one-off costs arising and balances will only be used when these reserves have been fully utilised.

After reviewing the level of Balances and Earmarked Reserves, it is proposed that the level of General Fund Balance be maintained at 15% of Net Budget Requirement. For 2018/19 this level will be £1,707,331 as detailed in the Budget Book report to Council on 8 March 2018.

The Council also holds reserves for specific areas of expenditure. Each reserve has a specific purpose. They are subject to annual review by the Section 151 officer as part of the budget process and if no longer required are used for other purposes. It is proper accounting practice to maintain reserves for these purposes.

**It is recommended that:**

- a) Reserves should be subject to an annual review by the Section 151 officer;**
- b) Reserves should not be over-provided;**
- c) Reserves should be used for the purpose for which they are provided (subject to a and b above)**
- d) Reserves should not be used to support ongoing general fund expenditure (subject to recommendations a and b, above)**

## **Budgeting Principles**

The Council will prepare its budget in accordance with the following principles:

### **Council Objectives:**

The purpose of the budget is to enable the Council to achieve its objectives and meet its statutory duties. In setting the budget and Council Tax, the Council will also have regard to Government requirements, including the Local Government Finance Settlement and the latest Comprehensive Spending Review.

### **Balanced Budget:**

The Council is required to set a “balanced budget” with sources of funding identified to cover all expenditure proposed.

### **Affordable Budget:**

In setting the budget, the Council will consider the affordability of proposals and their impact on the level of Council Tax.

### **Inflation:**

The Council will have regard to the level of inflation when considering budget proposals. It may consider different indices of inflation for different purposes. For example, the retail prices index (RPI) and the consumer prices index (CPI) do not always reflect the rate of inflation faced by the Council and this may be better measured by specific indices such as those widely available for construction costs or energy.

### **Sustainable Budget:**

The Council will set a budget to be sustainable over time. This will be reflected in the Council’s Medium Term Financial Plan and Capital Programme. The budget will include an overall risk assessment and will incorporate appropriate sensitivity analysis in order to ensure a robust final budget.

### **Budget Demands:**

Any developments in the Council’s revenue and capital budgets will be required to go through the Council’s formal bidding process. Only those items approved as part of this will be included in the final budget.

### **Use of 3<sup>rd</sup> Party Funding:**

Where third party funding is used to contribute towards the Council’s budgets, a plan is required to ensure that this element of the budget is sustainable if and when the 3<sup>rd</sup> party funding ceases. Where appropriate, an exit strategy is required.

### **Adequate Reserves and Provisions:**

The Council aims to have adequate, but not excessive, reserves to cover unforeseen expenditure. Specific provisions are also in place to cover items of expenditure that are certain but where their timing is not known. Further details are set out in the policy on balances and reserves.

#### Asset Management:

The Council aims to manage its assets efficiently in accordance with best practice. Full details are set out in the Asset Management Plan.

#### Council Tax Levels:

In accordance with this policy, the Council aims to set the minimum level of Council Tax possible consistent with the achievement of its Aim and Priorities and other financial and service demands.

#### Value for Money:

The Council aims to achieve value for money in the provision of all of its services. This is set out in the Council's Value for Money Strategy.

#### Risk Assessment:

In accordance with section 25 of the Local Government Act 2004, the s151 officer will conduct an annual risk assessment of the robustness of the estimates made in the Council's budget.

#### Sensitivity Analysis:

The s151 officer will carry out a review of the impact of variations to key elements of the proposed budget (a "sensitivity analysis") on an annual basis.

**NEWARK AND SHERWOOD DISTRICT COUNCIL**

**CORPORATE CHARGING POLICY**

**Revised: July 2018**

**Date of next revision: July 2019**

**CONTENTS**

- 1. Introduction**
- 2. Purpose of the Policy**
- 3. Processes and Frequencies for Reviewing Charges**
- 4. Factors relevant to the Annual review of Charges**
- 5. Processes for setting charges for new sources of income**
- 6. Calculation of Charges**
- 7. Concessionary Charges**
- 8. Discounts**
- 9. Use of Market Intelligence**
- 10. Further Guidance**

## **1. Introduction**

This Policy applies to external fees and charges other than those prescribed by the government. It provides a guide to internal charging arrangements but is subject to CIPFA's 'Service Reporting Code of Practice' and has regard to the Audit Commission's publication "*Positively Charged*".

It is not intended to apply to the disposal of Council assets, rents, internal charges or rechargeable works, nor will it apply where charges are governed by statutory regulation or guidance.

The Policy does apply if we have discretion, but not if there is a prescribed fixed charge.

Over the period of the Medium Term Financial Plan services will align their charges and processes with this policy.

This policy must be read in conjunction with the other related Council policies and strategies, including Financial Regulations, Equalities Policy, VFM Strategy, Corporate Plan.

If after reading this Code you require further guidance or clarification, or you are not sure how best to comply with the Policy then please contact your Business Manager or the Director of Resources.

## **2. Purpose of the Policy**

To establish a policy within which fee and charge levels will support the Medium Term Financial Strategy and Corporate Plan; and,

To encourage a consistent approach to the setting and reviewing of charges for services provided by Newark and Sherwood District Council by:

- specifying the processes and frequencies for reviewing existing charging levels or introducing new charges for areas of the council's work for which charges could in principle be set;
- providing guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis;
- establishing parameters for calculating different levels of charges;
- recommending the criteria for applying concessions or discounted charges on a consistent council wide basis;
- requiring more active use of market intelligence relating to different services.

## **3. Processes and Frequencies for Reviewing Charges**

The following arrangements for reviewing charges will be applied throughout all areas of the Council where charges for services already exist or could in principle be set:

- all discretionary charges will be considered and approved by Council as part of the Budget and Council Tax setting process in March of each year.

- a major review of each business unit's charging strategy will take place at least once every three years to ensure consistency with the council's priorities, policy framework, service aims, market sensitivity, customer preferences, and income generation needs, and the justification for any subsidy that the council as a whole makes to the service.
- annual reviews will be carried out for all of these services as part of the budget process, and shall have regard for the budget strategy approved in September each year.
- where fees are not to be increased or are proposed to be increased below inflation, this must be reported to CMT by the budget officer clearly stating the financial implications and budget shortfall before the deadline for completion of the revenue budget.
- these formal reviews will be overseen by the appropriate Director.
- where decisions on fees and charges, including any concessions or discounts, are taken outside the budget process approved by CMT and Policy and Finance Committee, any proposals must have due regard to the Medium Term Financial Plan.

#### **4. Factors Relevant to the Annual Review of Charges**

Annual reviews of charges will consider the following factors:

- a. inflationary pressures generally and input costs specific to the service;
- b. any statutory framework relating to the service
- c. the actual or potential impact of any competition in terms of price or quality;
- d. trends in user demand and the forecast effect of price changes;
- e. equality and access to services;
- f. customer survey results;
- g. benchmarking results;
- h. council wide and service budget targets;
- i. cost structure implications arising from developments such as investments made in the service;
- j. consistency with other charges;
- k. alternative charging structures that could be more effective;
- l. validity of continuing any concessions;
- m. proposals for targeted promotions during the year, and evaluation of any that took place in the previous year;
- n. where less than the full cost is being recovered (including nil charges), the justification for the decision is reviewed and documented to ensure that this decision remains valid and that significant income is not being lost.

#### **5. Processes for Setting Charges for New Sources of Income**

All Business Managers should explore new business opportunities with a view to generating additional income.

All guidance in this Policy must be considered when setting new fees and charges.

A business plan must be prepared.

Any potential new income streams will need to be approved by CMT and Policy and Finance Committee.

The setting of the fees and charges must be made in accordance with the current VAT regulations.

The proposed billing and recovery administrative process must be agreed with the S151 officer prior to the charges being implemented.

A central record will be maintained by the relevant Business Manager of any decisions made not to charge for a service where a charge could be made.

## **6. Calculation of Charges**

Charges will apply to all users, and will be set at a level to maximise take-up and income targets and wherever possible covering or exceeding the full cost of providing the service in question.

It is the responsibility of the Business Manager to ensure that the proposals comply with the appropriate legal framework and any legal restrictions. Advice should be taken from the Council's Legal section before any proposal is finalised.

This calculation of full cost should be based on the direct cost of service provision including staff, supplies and services, equipment, premise costs. Overheads and capital asset depreciation charges should be included but consideration may be given to a less than full cost recovery of these elements where inclusion would distort competition.

Where less than the full cost is being recovered, the justification for the decision must be documented and retained by the appropriate Business Manager and clearly state the financial implications and budget shortfall.

All fees and charges must be calculated in accordance with the current V.A.T. regulations.

## **7. Concessionary Charges**

In some circumstances the Council will offer subsidies to all users or concessions to specific user groups where this is consistent with achieving its priorities.

Entitlement to concessionary charges must have regard to equalities legislation and is designed to reduce barriers to participation arising from:

- Age;
- Level of income;
- Family circumstances;
- Health
- Educational circumstances.

Concessions will not apply to retail sales from shops or cafes.

Concessionary charges may also be made available to organisations whose purpose is to assist the Council in meeting specific objectives in its priorities and policy framework, or which contribute to the aims of key local partnerships in which the Council has a leading role.

Concessionary charges should not normally apply to peak times or in situations that would result in the loss of income from customers paying standard charges. Neither would they normally be available to organisations that are based outside of the Council's area other than on a reciprocal basis.

Only one concession can be applied to the standard charge at any given time.

Services wishing to adopt a concessionary charging scheme must demonstrate the scheme is practicable in terms of assessment, collection and evidencing for audit purposes.

## **8. Discounts**

For certain services it will be normal practice to set promotional discounts, Frequent User discounts or group Discounts.

Promotional discounts are defined as short-term charges that are targeted to increase take-up or awareness of the services that are available.

Frequent User discounts are to be used only for commercial reasons such as generating customer loyalty where alternative provision from competitors exists, and where market analysis shows a real risk of reduced income if they are not offered.

Group discounts are to be used to encourage take up by organisations able to block book and Family discounts to encourage parents and children's take up.

Discounts can be applied to both the standard charge and the concessionary charge.

Discounts can only be applied where the Service has received prior approval of the principle to apply a discount to the charge for this service.

## **9. The Use of Market Intelligence**

All managers of discretionary services for which a charge is made should take steps to identify competitors offering similar or related services, and make use of comprehensive and dynamic market intelligence in evaluating:

- their charging strategy;
- the range of services provided;
- the quality of services provided;
- their cost structure.

All managers of services for which a charge is made should consult with customers, relevant partners and stakeholders on the range, quality and cost of services provided prior to the triennial review.

Consultation should also take place with potential customers and target groups to determine improvements needed to encourage participation at least every five years.

Comprehensive and accurate usage statistics will be maintained for all services and at all facilities where charges are made, to enable analysis of usage, justification of any subsidy given by the Council, and accurate forecasting of the effect of price changes on usage.

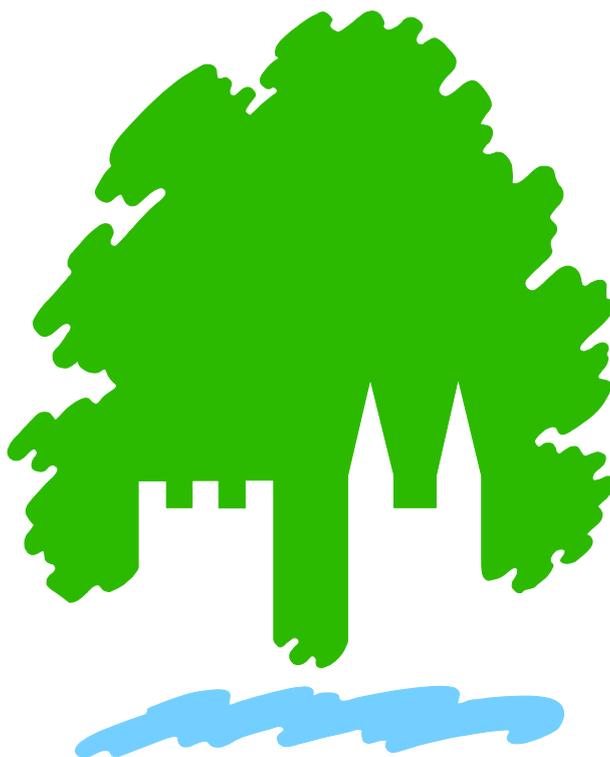
Benchmarking should be undertaken at least annually regularly with other Councils in the local area and with relevant national groupings of authorities, to ensure that charges are at comparable levels and that significant differences are understood and justified.

#### **10. Further Guidance**

Charges should be payable in advance wherever possible or collected by direct debit or through the corporate income system.

All fees/charges must be reported annually to the Financial Services Business Unit as part of the budget process for publishing in the annual budget book.

All fees/charges must be published on the Councils website.



**NEWARK &  
SHERWOOD  
*DISTRICT COUNCIL***

**Value for Money Strategy**

**Revised: July 2018**

**Next revision due: July 2020**

## Introduction

Newark & Sherwood District Council recognises its responsibility to achieve value for money from all its activities, however they may be funded.

The council is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate strategy. It will seek to achieve value for money in the pursuit of its objectives and in the delivery of all services.

The council has a neutral position on service delivery methodologies. It will consider all service delivery options, including in-house provision, partnerships with other public sector organisations (including shared services), partnerships with private sector organisations, and bought in services as appropriate for individual services or groups of services.

With the current focus on reducing the national deficit leading to reduced government funding, it is inevitable that the annual revenue and capital budget setting will be challenging each year. The council has a range of methodologies in place to ensure that its aims and priorities are delivered within an acceptable level of council tax. The Value for Money Strategy is a key element of this process.

## Value for Money Principles

The principles involved in achieving value for money are:

Efficiency: Considering the relationship between the amount of resources used (inputs) and the level of performance.

Effectiveness: The ability to achieve stated goals or objectives, judged in terms of both output and impact.

Economy: The acquisition or use of resources of an appropriate quality at minimum cost.

There are several aspects to be considered:

- Balancing effectiveness with efficiency
- Balancing efficiency with economy
- Sustaining the funding arrangement (where this is desirable)
- Demonstrating the most appropriate use of resources

Value for money can be defined as: **the use of available resources in an efficient and economical way to deliver effective services or achieve desired outcomes.**

The council is accountable for using resources efficiently to avoid wasting public funds, but this does not mean always seeking the lowest short-term cost. Waste occurs when a service – no matter how cheap or expensive – is ineffective. Effectiveness and efficiency needs to be balanced to achieve value for money.

The costs and benefits of each arrangement must be evaluated in terms of what the council seeks to achieve.

The council will manage any risks to its own interests, and use arrangements and processes such as monitoring, review and evaluation to demonstrate effectiveness and value for money.

At the planning stage, the council should be able to justify how it intends to apply its resources. After implementation it should be able to demonstrate that the policy is having the desired effects, and that the money is not going to waste. If there are unintended outcomes from its policies the council needs to adapt its funding arrangements to take them into account.

## **Objectives**

To achieve value for money, the council will:

- target resources towards achieving the council's objectives and meeting the needs of local people;
- integrate VFM principles within existing planning, management and review processes;
- adopt recognised good practice as appropriate;
- analyse potential budget issues for the following financial year at an early stage and take a corporate approach to developing solutions;
- ensure that VFM principles are taken into account during the commissioning process;
- benchmark activities against other similar activities and organisations where appropriate;
- respond to opportunities to enhance the economy, efficiency and effectiveness of activities;
- promote a culture of continuous improvement;
- demonstrate actively to both internal and external stakeholders that the achievement of VFM is sought in all activities undertaken;
- ensure that all staff recognise their continuing obligation to seek VFM for the council as part of their activities;
- seek external funding where appropriate to support the council's services if the external funding assists the achievement of the council's objectives.

## **Methodologies for achieving VFM**

The council has a number of different methodologies that contribute to the achievement of VFM.

These include:

- the Commissioning process;
- identification of growth and savings through the budget process;
- effective use of ICT (supported by the ICT Strategy);
- service reviews;
- scrutiny by service Committees;
- Audit & Accounts Committee;
- corporate procurement mechanisms (supported by the Procurement Strategy and policies);
- partnership working including consideration of shared services and public/private partnerships;
- customer feedback.

## **Responsibility for delivering VFM**

The council is required to satisfy itself that VFM is being sought, and achieved from the use of public funds.

The responsibility for achieving VFM lies with all Members and staff and is not restricted to those with resource or financial responsibilities. All Members and staff should endeavour to seek and achieve VFM in all activities and to bring to management's attention any opportunities for improvement.

Managers have the responsibility to maintain an awareness of good practices in their own area of operation and ensure that these are followed appropriately.

The corporate management team will provide a corporate overview of VFM to ensure that initiatives are not restricted to individual service areas.

The council has an expectation that bodies with which the Council has partnership arrangements and organisations in receipt of grant aid from the council will follow VFM guidelines.

**APPENDIX B**

2019/20 REVENUE BUDGET TIMETABLE				
<b>Action</b>	<b>Base Budget &amp; General Principles of Budget</b>	<b>Draft Budget</b>	<b>Draft Final Budget</b>	<b>Final Budget Approval &amp; Council Tax Setting</b>
Base budget & general principles of budget	Policy & Finance 20 September 2018			
Support services – agree basis for charging		31 August 2018		
Working papers issued to budget officers		31 July 2018		
First draft of treasury estimates based on capital programme reported to September Policy & Finance Committee		15 September 2018		
Draft budgets complete – no support services allocated		24 September 2018		
Budgets uploaded onto eFinancials		28 September 2018		
Coordination & review of first draft budget		12 October 2018		
Support services allocated and uploaded to efinancials			30 October 2018	
Final committee budgets approved for consideration by Policy & Finance Committee on 21 February 2019			Homes & Communities 14 January 2019 (papers 12/12/18)  Leisure & Environment 22 January 2019	

			(papers 03/01/19)  Economic Development 16 January 2019 (papers 11/12/18)  Policy & Finance 24 January 2019 (papers 02/01/19)	
Housing Revenue Account budget and rent setting report				Policy & Finance 24 January 2019 to refer to Council for approval on 12 February 2019 (papers 02/01/19)
Council Tax Discounts Scheme determined				Council 11 December 2018
Council Tax Base 2019/20				Officer decision – determined between 1 December 2018 and 31 January 2019
Revenue budget setting				Policy & Finance 21 February 2019 (papers 30/01/19)
Parish Council Precept information received			(up to) 28 February 2019	
Council Tax setting				Council 7 March 2019 (papers 28/02/19)

**CAPITAL PROGRAMME TIMETABLE 2019-2023**

<b>Date</b>	<b>Corporate</b>	<b>Council/Policy &amp; Finance Committee/Operational Committees</b>
Continuous	Possible asset disposals are identified; the likely level of receipts and the revenue implications are estimated.	Approval by Policy & Finance Committee.
April - September	CMT approve the commissioning of new schemes.	Consultation with Policy & Finance Committee and operational Committees where relevant
April - September	Appraisal forms complete for all schemes to be considered in the Capital Programme process. The Key corporate priorities to be targeted with key service plans priorities and Smart Focus.	Consultation with Portfolio holder and relevant Committee.
By 30 September	Revenue implications of bids included in budget bids	
By 31 October	Existing schemes are revised for timing and, where relevant, whether they can now proceed e.g. if failed to get external finance allocation is lost	Report submitted to Policy & Finance Committee in December on changes to existing programme (if necessary)
By 31 October	Detailed appraisal using prioritisation scheme process and report produced for CMT on results of appraisal. CMT consider report and agree prioritisation it relevant	
December		Policy & Finance Committee consider draft programme based on prioritised schedule including revenue implications
By 31 January 2019	Revised estimates of resources available completed including levels of Borrowing, Revenue Contribution and Capital Receipts targets.	
By 31 January 2019	Prepare summary of comments from operational Committees for Policy & Finance Committee to consider. Includes clarification by Directors/Business Managers	
30 January 2019	Final report produced for Policy & Finance Committee including comments from operational Committees	
21 February 2019		Policy & Finance Committee consider revenue and capital budgets and financial implications and recommend programme to Council
7 March 2019		Council tax setting meeting.

**NEWARK & SHERWOOD DISTRICT COUNCIL**  
**CAPITAL PROGRAMME 2019 - 2023 PRIORITISATION SCHEME**

	<b>STAGE 1 FACTOR</b>	<b>Comments</b>	<b>STAGE 2 DETAILED PRIORITISATION</b>	<b>STAGE 2 WEIGHTING</b>
1	<p><b>Key Priorities</b>            Scheme must link to at least one of the Council's priorities and be an objective contained within a Service Plan.</p>	<p>If a scheme does not clearly relate to these areas it will not be considered further.</p>	<p>Each scheme to be marked as to how well it fits with the following-</p> <ul style="list-style-type: none"> <li>• Prosperity</li> <li>• People</li> <li>• Place</li> <li>• Public Service</li> </ul>	<b>35%</b>
2	<p><b>Evidence of Need</b>            Service Strategy            National Strategy or Guidelines            Statutory Obligation</p>	<p>In some cases local demands are in excess of national guidelines and strategies and this tries to acknowledge that the two must be balanced. This will cover Health and Safety related schemes.</p>	<p>The following factors will receive equal weighting :-</p> <ul style="list-style-type: none"> <li>• Statutory Obligation</li> <li>• National Strategy</li> <li>• Validity of consultation in relation to project. e.g. How specific to this project? Who was consulted, was this comprehensive?</li> <li>• Quality of evidence of need for project .e.g. size of sample base, date of evidence, format of evidence</li> </ul>	<b>10%</b>
3	<p><b>Partnership</b>            Eligibility under existing criteria can be demonstrated.</p>	<p>Show that work has been done to ensure that the obtaining of external finance is realistic. The degree to which the partnership will add value to the project.</p>	<p>The proportion of finance which will be met by third party. The likelihood of receiving support.            Assessment of the value the partner will add to the project.</p>	<b>15%</b>

	<b>STAGE 1 FACTOR</b>	<b>Comments</b>	<b>STAGE 2 DETAILED PRIORITISATION</b>	<b>STAGE 2 WEIGHTING</b>
4	<p><b>Outputs and Outcomes</b></p> <p>These have been clearly identified and can be justified from supporting evidence.</p> <p>Specific comments should be made as to how the scheme represents value for money when compared to other options</p>	<p>This will enable the council to improve the way it reports its work and clearly show what is being achieved. The comments should refer to any performance indicators which the proposal is addressing specifying what the improvement target is.</p>	<p>Assessment then made on what the scheme will achieve.</p>	<p><b>15%</b></p> <p>Assessment of all factors or group of factors</p>
5	<p><b>Financial</b></p> <p>Capital costs have been based on internal or external professional advice</p> <p>Revenue implications have been properly developed</p>	<p>Capital costs include both works and land purchase and cover all associated costs.</p> <p>Try and avoid “guesstimates” which result in schemes requiring increased finance or having to be reduced to meet finance available.</p>	<p><u>Capital</u> will be based on the quality of work which has been put into estimate. e.g. costed feasibility studies.</p> <p><u>Revenue</u> will be based on whether the effect is positive, neutral or negative on the revenue budget.</p> <p>Positive effect scores 10 Neutral effect scores 3 Negative effect scores 0</p>	<p><b>15%</b></p> <p>Capital marked 1 to 5</p> <p>Revenue marked 0 to 10</p>
6	<p><b>Risk Assessment</b></p> <p>Identify the level of risk in a project not being able to proceed. For example planning appeals, listed building consent. Over subscription of partnership funds</p>	<p>Try and ensure that not all schemes selected are high risk with the danger that there will be delays in delivery or no-delivery.</p>	<p>The following will all need to be considered:-</p> <ul style="list-style-type: none"> <li>Technical Issues</li> <li>Financial Uncertainty</li> <li>Partnership uncertainty</li> <li>Planning Issues</li> <li>Legal issues</li> <li>Timescale</li> </ul>	<p><b>10%</b></p>